

Thursday, January 24th, 2008

**Stimulus Package:** You no doubt have heard about the Stimulus Package agreement between Speaker Pelosi, Minority Leader Boehner and Treasury Secretary Paulson that was announced today and is supported by the President. I won't go through all the specifics of it directly because you will hear and see that almost everywhere over the next 24 hours. But I would like to give you what I see as the pros and cons of the thing. First of all, the good stuff:

- Raises FHA loan limits to \$750,000 and also raises the "conforming" or "jumbo" home limits on loans guaranteed by Fannie Mae and Freddie Mac to the higher of \$625,000 or 150% of the median house price in a market. This will help to free up more and cheaper home loan money in high cost areas like Orange County. This should help ease the housing crisis.
- Gives some taxpayers with adjusted gross incomes of less than \$75,000 (single) or \$150,000 (joint) some of their tax money from 2007 back.

As far as I can tell, that's it on the good side. On the bad side, here goes:

- Gives roughly 35 million people who paid NO FEDERAL INCOME TAXES AT ALL a check for \$300 per person in their family. So, a married couple with 3 kids would get \$1500. This is a welfare transfer payment from other taxpayers, pure and simple.
- Gives taxpayers with incomes over \$75,000 (single) and \$150,000 (joint) zero, zippo, nada. These are the people who pay most of the taxes and they will now pay a much greater share of the tax than they already do.
- We don't yet know what, if any, mechanisms will be in place to keep illegal aliens from receiving these checks. If you file a tax return with no tax due and you have 4 kids, you will get a non-taxable \$1800 check. The incentive for fraud will be huge.
- The checks will likely not get to people before July or August, when the economic downturn is projected to be over. So, it will not provide any stimulus right now.
- The FHA and Fannie and Freddie loan limit increases are not accompanied by any additional regulation. The reason these loans are cheap is because you (the taxpayers) effectively guarantee them. If taxpayers are going to guarantee them, but someone else (the shareholders of Fannie and Freddie) get the profit, then the taxpayers ought to make sure that those entities are being careful with the money. This has not been the case in the recent past. Although I have supported the higher loan limits, I have only done so on the condition that we would have better oversight of these agency's actions than we do now.
- There is absolutely nothing in this proposal that encourages what we need most, which is to free up investment capital for loans and equities. This economic slowdown was caused by a credit and capital crisis. Not a consumer spending crisis. We should be trying to free up credit and capital. We are treating our arm when it's the leg that hurts.
- For 3 years our deficit has been declining. With this bill the deficit will balloon again to somewhere over \$300 billion. This is approaching what it got to after 9/11. It is not good to increase deficits. But more than that, I fear that this increased deficit will make it politically more difficult to do the tax policy changes we SHOULD do in the near future, like extend the 2001 and 2003 tax cuts, fix or eliminate the AMT and reduce or eliminate the death tax. And you can be sure that the very people who received tax benefit from this package will be asked to "pay for" the cost of this thing next year or the year after.

Neither the Democratic nor Republican leadership in the Senate has signed off on this package yet, so it could still change. But the White House and the House leadership are certainly trying to "grease the wheels" to run this through quickly and with as little change as possible.

I hate to oppose something that does give some taxpayers back some of their money and which contains some elements that will should help the housing crisis. But, I also don't want to support something that has so many negative aspects for the longer term as a trade-off for so little benefit.

I'd be interested in your thoughts.

Until next week, I remain respectfully,

Congressman John Campbell